

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 NEA-09 IO-10 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01

SP-02 STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01

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R 291532Z JAN 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 9265

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, EEC, IT, IR

SUBJECT: TRADING RELATIONS: EC-IRAN

REF: A. ROME 17727(74); B. EC BRUSSELS 723; C. ROME 1168

D. LONDON 1334

1. ECON-COMM MINISTER AGAIN RAISED ITALIAN POSITION ON EC-IRANIAN  
PREFERENTIAL ARRANGEMENTS WITH FRANCISCI, SENIOR MFA OFFICIAL  
RESPONSIBLE FOR MULTILATERAL ECONOMIC AFFAIRS. ECMIN CITED MAN 25  
LONDON ECONOMIST ARTICLE DISCRIBING IN DETAIL AN INTERVENTION BY  
ITALIAN PERMREP BOMBASSEI IN FAVOR OF FRENCH INITIATIVE AND  
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REFERRED TO EARLIER CONVERSATIONS ON SUBJECT (REFS A AND C).

2. FRANCISCI SAID THE ECONOMIST ARTICLE IS INCORRECT. AS HE DESCRIBES THE COUNCIL MEETING, FRENCH FORMIN SAUVAGNARGUES SPOKE FIRST, ADVOCATING PREFERENTIAL ARRANGEMENT. BOMBASSEI THEN SUGGESTED THAT AN ECONOMIC-TECHNICAL-INDUSTRIAL AGREEMENT SHOULD BE TRIED WITHOUT TRADE PROVISIONS, OR WITH TRADE MEASURES ON MFN BASIS. ACCORDING TO FRANCISCI, SAUVAGNARGUES SPOKE TO THE EFFECT THAT THE ITALIAN PROPOSAL WAS WORTH TRYING WITH THE IRANIANS.

3. FRANCISCI EMPHASIZED THAT DUTY-FREE ENTRY OF REFINED PETROLEUM PRODUCTS INTO EC WOULD BY FACILITATING CONSTRUCTION OF LARGE IRANIAN REFINERY FURTHER WORSEN PROBLEM OF EXCESS REFINING CAPACITY IN ITALY BY PRE-EMPTING ITALIAN MARKETS IN SWITZERLAND, AUSTRIA AND GERMANY. HE NOTED, PROBABLY WITH REFERENCE TO THE GENERAL TENDENCY OF PRODUCERS TO MOVE INTO REFINING, ITALY COULD ONLY ADJUST OVER A LONG PERIOD OF STRUCTURAL REALIGNMENT.

4. HE TERMED PREFERENTIAL ACCESS OF IRANIAN INDUSTRIAL PRODUCTS AS A SEVERE THREAT TO ITALIAN INDUSTRY. THE PRODUCTS-PETRO-CHEMICALS, PLASTICS AND FERTILIZERS--OF TRADE INTEREST TO IRAN ARE EXACTLY THOSE OF WHICH ITALY IS A MAJOR AND VULNERABLE PRODUCER.

5. MOREOVER, FRANCISCI SAID, THE COMMISSION IS STRONGLY OPPOSED; THE IRANIANS HAVE NOT SPECIFICALLY REQUESTED TRADE CONCESSIONS, AND THERE IS A POSSIBILITY THAT SOME COMBINATION OF GSP AND MFN TREATMENT COULD TAKE CARE OF IRANIAN DESIRES. IN RESPONSE TO OUR QUESTION, HE SAID THAT IRANIANS ARE NOT PUTTING BILATERAL PRESSURE ON GOI BUT HE WOULD NOT BE SURPRISED IF THEY WERE TO. HE AGREED WITH ECOMIN'S SUMMATION THAT FOR PRACTICAL REASONS AS WELL AS PRINCIPLE THE GOI OPPOSES PREFERENTIAL TRADING ARRANGEMENTS FOR IRAN.

6. COMMENT: GIVEN IRANIAN LEVERAGE (REF C), WE STILL BELIEVE THAT GOI WOULD BE VERY HARD PRESSED TO HOLD OUT IF IRANIANS CAN OBTAIN UK SUPPORT. VOLPE

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## Message Attributes

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